

Michigan

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

(In Thousands)

BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS					
	MAJOR			TOTALS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	\$ -	\$ 381,108	\$ -	\$ 381,108	\$ -
Receipts from customers	2,008,218	1,395,780	675,747	4,079,745	1,552,322
Membership dues	-	-	4,791	4,791	-
Payments to employees	(10,978)	-	(13,347)	(24,324)	(158,873)
Payments to suppliers	(46,409)	-	(524,124)	(570,533)	(678,130)
Payments to prize winners	(1,205,945)	-	-	(1,205,945)	-
Payments for commissions to retailers	(182,305)	-	-	(182,305)	-
Claims paid	-	(2,360,586)	-	(2,360,586)	(681,027)
Other receipts	-	2,100	167	2,267	311
Other payments	-	-	(5,127)	(5,127)	(8,784)
Net cash provided (used)					
by operating activities	\$ 562,581	\$ (581,598)	\$ 138,107	\$ 119,089	\$ 25,819
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Loans or loan repayments from other funds	\$ -	\$ -	\$ -	\$ -	\$ 31,987
Loans or loan repayments to other funds	-	-	-	-	(31,695)
Specific tax on spirits	-	-	11,989	11,989	-
Transfers to other funds	(673,241)	(105,977)	(144,180)	(923,398)	(1,190)
Other receipts	-	-	-	-	9
Net cash provided (used)					
by noncapital financing activities	\$ (673,241)	\$ (105,977)	\$ (132,191)	\$ (911,409)	\$ (888)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ (82)	\$ -	\$ -	\$ (82)	\$ (19,514)
Interest paid	-	-	-	-	(292)
Capital lease payments	-	-	-	-	-
(including imputed interest expense)	-	-	-	-	(17,037)
Proceeds from sale of capital assets	-	-	-	-	180
Net cash provided (used) by capital and related financing activities	\$ (82)	\$ -	\$ -	\$ (82)	\$ (36,664)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturities of investment securities	\$ 108,890	\$ 620,901	\$ (26)	\$ 729,765	\$ -
Interest and dividends on investments	960	58,068	1,177	60,205	3,025
Income from securities lending activities	4,723	-	-	4,723	-
Expenses from securities lending activities	(4,347)	-	-	(4,347)	-
Net cash provided (used)					
by investing activities	\$ 110,226	\$ 678,969	\$ 1,151	\$ 790,346	\$ 3,025
Net cash provided (used) - all activities	\$ (516)	\$ (8,606)	\$ 7,067	\$ (2,056)	\$ (8,708)
Cash and cash equivalents at beginning of year	5,498	17,212	47,514	70,223	279,647
Cash and cash equivalents at end of year	\$ 4,981	\$ 8,606	\$ 54,580	\$ 68,168	\$ 270,939

The accompanying notes are an integral part of the financial statements.

Michigan

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR			TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR		
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Per Statement of Net Assets Classifications:					
Cash	\$ 2	\$ 4,049	\$ 1,194	\$ 5,244	\$ 91
Equity in common cash	6,736	4,557	60,064	71,357	274,437
Warrants outstanding	(1,757)	-	(6,677)	(8,434)	(3,589)
Cash and cash equivalents at end of year	<u>\$ 4,981</u>	<u>\$ 8,606</u>	<u>\$ 54,580</u>	<u>\$ 68,168</u>	<u>\$ 270,939</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 654,874	\$ (531,824)	\$ 131,601	\$ 254,651	\$ (4,876)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	149	-	24	173	48,966
Amortization of prize award obligation discount	(39,223)	-	-	(39,223)	-
Other reconciling items	131	-	-	131	-
Net Changes in Assets and Liabilities:					
Inventories	(1,619)	-	161	(1,458)	2,346
Other assets (net)	12,940	(38,849)	(3,506)	(29,415)	(12,603)
Accounts payable and other liabilities	2,378	(10,911)	9,462	929	(8,014)
Prize awards payable	(67,050)	-	-	(67,050)	-
Deferred revenue	-	(14)	365	351	-
Net cash provided (used) by operating activities	<u>\$ 562,581</u>	<u>\$ (581,598)</u>	<u>\$ 138,107</u>	<u>\$ 119,089</u>	<u>\$ 25,819</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ 1,125
Cost of capital assets acquisitions financed by capital leases	-	-	-	-	10,576
Capital lease liabilities entered into during the year	-	-	-	-	(10,576)
Increase (decrease) in fair value of investments	(28,079)	-	-	(28,079)	-
Transfers to other funds (accrual)	(9,883)	(19,750)	-	(29,633)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(339)
Total noncash investing, capital, and financing activities	<u>\$ (37,962)</u>	<u>\$ (19,750)</u>	<u>\$ -</u>	<u>\$ (57,712)</u>	<u>\$ 786</u>

